AR04

United Tire & Rubber Co. Limited
Annual Report 1973

Officers

Robert Scolnick
Chairman of the Board and Chief Executive Officer

Charles Sherkin
President

John McClure
Vice President, Sales

Theodore Rhenius
Vice President, Finance

Donald Whidden
Vice President, Tire Manufacturing

Earl Williams
Vice President, Operations

Joseph Frieberg
Secretary

Board of Directors

Donald Carr, Q.C.

Joseph Frieberg

Robert Scolnick

Charles Sherkin

John Thompson

Donald Wilkins

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Auditors

Wm. Eisenberg & Co.

Head Office

275 Belfield Road,
Rexdale, Ontario

HIGHLIGHTS

	1973	1972
Sales	$18,545,532	$16,382,295
Earnings before income taxes and extraordinary items	178,627	(516,476)
Income taxes	77,936	(94,339)
Earnings before extraordinary items	100,691	(422,137)
Per common share	2.9¢	(16.9¢)
Extraordinary items	186,438	(806,842)
Net earnings	287,129	(1,228,979)
Per common share	10.3¢	(49.2¢)
Cash flow from operations	1,146,691	(298,611)
Total assets	13,871,390	12,022,557
Working capital	2,791,812	(688,281)
Long term debt	4,321,915	2,183,097
Net worth	3,861,161	2,152,412
Working capital ratio	1.51:1	.91:1
Capital expenditures	1,082,011	3,328,915
Depreciation	837,125	618,877

To our Shareholders

The year 1973 saw a much improved performance for the Company. Consolidated sales for the year ended December 31, 1973 rose to \$18,545,532, a 13% increase over 1972. The consolidated profit for the year, after extraordinary items, was \$287,129 compared to a consolidated loss of \$1,228,979 in 1972.

We believe that 1973 marks a turning point in the performance of the Company. Sales and earnings during the first quarter of 1974 exceeded those of any previous quarter. Present indications are that the high demand for our products will be sustained, which leads us to be optimistic regarding our performance for 1974 and beyond.

The turnaround can be attributed to a number of significant steps taken in 1973 which strengthened the Company, improved its profitability, and augmented its potential for future growth. These involved people, facilities and money.

The management group at our tire manufacturing plant in Cobourg was able to increase efficiency and capacity to the point where tire production is exceeding our expectations. As a result, our sales force is able to rely upon an assured source of supply.

Our financial condition has been vastly strengthened from the year earlier. In September, 1973 the Company raised \$4,500,000 through the sale of \$1,500,00 of 7% Convertible Preference Shares and \$3,000,000 of 9½% Sinking Fund Debentures. As a result, working capital increased to \$2,791,812 at year end. In April, 1974 the Company increased its bank line of credit from \$2,500,000 to \$3,500,000. We believe that our present finances will amply accommodate current cash flow projections and capital expenditure programs.

The Company is pleased with the significant accomplishments reported but does not intend to relax its emphasis on improving future performance. To achieve this goal, we must ensure that our equipment and facilities, both in retreading and tire manufacturing, are among the best and most modern available, and that our sales program and distribution system continue to make maximum use of our manufacturing facilities.

With this report, we express appreciation to our staff for their dedication, to our customers and suppliers for their loyalty, and to the financial institutions for their support. Most especially, we thank the shareholders for their confidence during a difficult period.

Robert Scolnick
Chairman of the Board

Charles Sherkin
President

Consolidated Statement of Earnings

For the year ended December 31, 1973

	1973	1972 (note 13)
SALES	$18,545,532	$16,382,295
Cost of sales and expenses		
Cost of sales, operating and administrative expenses before the undernoted items:	16,906,583	15,874,647
Depreciation (note 2)	837,125	618,877
Interest on long-term debt	392,923	273,171
Other interest	230,274	132,076
	18,366,905	16,898,771
Earnings (loss) before income taxes and extraordinary items	178,627	(516,476)
Income taxes (recovered)	77,936	(94,339)
Earnings (loss) before extraordinary items	100,691	(422,137)
Extraordinary items (note 8)	186,438	(806,842)
Net earnings (loss) (note 13)	$ 287,129	$ (1,228,979)
Earnings (loss) applicable to common shares		
Net earnings (loss)	$ 287,129	$ (1,228,979)
Less: Dividends — first preference shares, Series A	28,867	—
	$ 258,262	$ (1,228,979)
Earnings (loss) per common share: (note 14)		
Before extraordinary items	2.9¢	(16.9¢)
After extraordinary items	10.3¢	(49.2¢)
Average number of common shares outstanding	2,500,000	2,500,000

Consolidated Statement of Retained Earnings

For the year ended December 31, 1973

	1973	1972
Balance, beginning of year	$ 59,212	$ 1,325,620
Add: Net earnings (loss) for year (note 13)	287,129	(1,228,979)
	346,341	96,641
Less: Dividends — first preference shares, Series A	28,867	—
Share issue expenses written off (net of income taxes: 1973 — $23,000; 1972 — $40,545) (note 13)	49,513	37,429
	78,380	37,429
Balance, end of year	$ 267,961	$ 59,212

UNITED TIRE & RUBBER CO. LIMITED

and subsidiary companies

Consolidated Balance Sheet

As at December 31, 1973

ASSETS	1973	1972
Current assets		
Term deposit	$ 154,338	$ —
Accounts receivable	3,490,177	2,748,331
Marketable securities, at cost which approximates market	17,000	12,012
Inventories, at lower of cost and net realizable value	4,370,155	3,524,219
Income taxes recoverable	—	213,575
Prepaid expenses and deposits	209,456	279,130
	8,241,126	6,777,267
Fixed assets (note 2)		
Land, buildings, equipment and leasehold improvements, at cost	8,193,080	7,111,069
Less: Accumulated depreciation	2,702,904	1,865,779
	5,490,176	5,245,290
Other assets		
Unamortized financing costs (note 3)	140,088	—
	$13,871,390	$12,022,557

UNITED TIRE & RUBBER CO. LIMITED
and subsidiary companies

Consolidated Balance Sheet
As at December 31, 1973

LIABILITIES	1973	1972
Current liabilities		
Bank indebtedness (note 4)	$ 1,855,522	$ 2,140,972
Accounts payable and accrued liabilities	2,954,459	4,002,343
Dividends payable	28,867	—
Current portion of long-term debt	610,466	1,322,233
	5,449,314	7,465,548
Long-term debt (note 5)	4,321,915	2,183,097
Deferred income taxes (note 6)	239,000	221,500
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)		
First preference shares, Series A	1,500,000	—
Common shares	2,093,200	2,093,200
	3,593,200	2,093,200
Retained earnings	267,961	59,212
	3,861,161	2,152,412
	$13,871,390	$12,022,557

The accompanying notes are an integral part of the consolidated financial statements.

On Behalf of the Board

Robert Scolnick, *Director*

Charles Sherkin, *Director*

Consolidated Statement of Source and Use of Funds

For the year ended December 31, 1973

	1973	1972
Source of funds		
Operations		
Net earnings (loss) for year	$ 287,129	$ (1,228,979)
Charges not requiring cash outlay:		
Depreciation	837,125	618,877
Deferred income taxes	17,500	(35,500)
Pre-production expenses incurred in previous year	—	346,991
Amortization of financing costs	4,937	—
Total Funds from Operations	1,146,691	(298,611)
Other		
Increase in long-term debt	2,138,818	—
Issue of common shares	—	2,068,000
Issue of preference shares	1,500,000	—
Sundry items	—	141,705
	4,785,509	1,911,094
Use of funds		
Purchase of fixed assets	1,082,011	3,328,915
Financing costs	145,025	—
Decrease in long-term debt	—	26,362
Share issue expenses written off	49,513	37,429
Dividends	28,867	—
	1,305,416	3,392,706
Increase (decrease) in working capital	$ 3,480,093	$ (1,481,612)
Working capital (deficit), end of year	$ 2,791,812	$ (688,281)
Working capital (deficit), beginning of year	(688,281)	793,331
Increase (decrease) in working capital	$ 3,480,093	$ (1,481,612)

Notes to the Consolidated Financial Statements

As at December 31, 1973

1. Principles of consolidation

The consolidated financial statements include the accounts of United Tire & Rubber Co. Limited and all its subsidiary companies.

2. Fixed assets

The fixed assets are valued at cost and are depreciated on a straight-line basis at rates sufficient to amortize the cost of the assets over their estimated useful life.

The fixed assets consist of the following:

Description	Rate of Depreciation	1973	1972
Land	–	$ 39,857	$ 3,950
Buildings	5%	141,218	76,158
Equipment	10% and 20%	7,375,946	6,457,313
Leasehold improvements	Over term of lease	636,059	573,648
		$8,193,080	7,111,069
Less: Accumulated depreciation		2,702,904	1,865,779
		$5,490,176	$5,245,290

3. Unamortized financing costs

These represent the unamortized balance of financing costs incurred on the issuance of the 9½% Sinking Fund Debentures and are being amortized on a straight-line basis over the term of the debentures. Amortization for the current year amounted to $4,937.

4. Bank indebtedness

The bank indebtedness includes the following:

A current bank loan to the Company of $1,600,000 secured by a general assignment of book debts and by a $2,000,000 demand debenture containing a first fixed and specific charge on all of the Company's present and future book debts and all inventory. Subsequent to the year end the Company's line of credit was increased and a new debenture in the amount of $3,500,000 was given to its bankers.

A current bank loan to a wholly-owned subsidiary, United Tire & Rubber Mfg. (Toronto) Limited, of $400,000 secured by a registered general assignment of book debts and by a pledge of inventory under Section 88 of the Bank Act.

5. Long-term debt

This consists of the following:

	1973	1972
9½% Sinking Fund Debentures	$3,000,000	$ –
9% Debenture	259,049	291,262
9% Series A Debentures	800,000	920,000
Chattel mortgages and finance contracts	407,327	2,066,568
Mortgage payable, 10½%, due September 1, 1975	65,000	–
Other long-term debt	401,005	227,500
	4,932,381	3,505,330
Less: Current portion	610,466	1,322,233
	$4,321,915	$2,183,097

9½% Sinking Fund Debentures

During the year the Company issued $3,000,000 of 9½% Sinking Fund Debentures due August 31, 1983, insured to the extent of 90% by the General Adjustment Assistance Board.

These debentures are secured by a fixed charge on all land, buildings and equipment of the Company subject to chattel mortgages and finance contracts not to exceed $621,000 and by a first floating charge on all other assets of the Company subject to the security held by the bank referred to in note 4.

The Company has covenanted to establish a sinking fund providing for annual payments on the following basis:

August 31, 1975 –	$150,000
August 31, 1976 –	200,000
August 31, 1977 –	250,000
August 31, 1978 –	300,000
August 31, 1979 –	350,000
August 31, 1980 –	350,000
August 31, 1981 –	350,000
August 31, 1982 –	350,000
August 31, 1983 –	700,000

The debentures prohibit the payment of any dividends in any year if, after giving effect to such payment, the shareholders' equity falls below $3,500,000 or if the working capital would be reduced below the greater of $1,750,000 or a ratio of consolidated current assets to consolidated current liabilities of 1.3 to 1.

The debentures are accompanied by share purchase warrants entitling the bearers to purchase common shares of the Company over a ten year period from the date of issuance on the basis of 50 common shares for each $1,000 principal amount of debentures. The warrants entitle the bearers to purchase common shares of the Company during the undernoted periods at the undernoted prices.

Up to August 31, 1976 –	$2.75
From September 1, 1976 to August 31, 1979 –	$3.75
From September 1, 1979 to August 31, 1983 –	$5.75

9% debenture

The Company's wholly-owned subsidiary, United Tire & Rubber Mfg. (Toronto) Limited, has issued to the Ontario Development Corporation a debenture secured by a fixed mortgage on all tools, machinery, equipment and chattels as well as a floating charge on all of the subsidiary's undertaking, property and assets. This debenture matures February 15, 1980, and is repayable $4,370 monthly, including principal and interest at the rate of 9% per annum. The Ontario Development Corporation has postponed its rights under the debenture in favour of the 9½% Sinking Fund Debenture holders.

Subsequent to the year end the Company issued a $400,000, 9% debenture to the Ontario Development Corporation as collateral security for the indebtedness of this subsidiary. This debenture is secured by a fixed charge on specific equipment owned by the Company and is subject to the security of the 9½% Sinking Fund Debenture holders.

Subsequent to the year end the Ontario Development Corporation advanced an additional $100,000 to the subsidiary to be secured under the above debenture. This advance is interest free and forgiveable as to 10% on the first day of each of the second through sixth years commencing in the thirteenth month after the date of the final advance and the remaining 50% on the first day of the seventh year provided that the subsidiary, at all times prior to each of the dates upon which payment is to be forgiven, has operated its business in a manner satisfactory to the lender.

9% Series A debentures

These debentures are secured by a floating charge on the undertaking, property and assets of the Company and this security has been postponed and subordinated in favour of the charges created by the debentures referred to previously. The Company has outstanding $800,000 of 9% Series A Debentures repayable as follows:

Principal Amount	Expiry Date	Annual Repayments
$275,000	June 1, 1979	$ 50,000
525,000	June 1, 1981	70,000
$800,000		$120,000

Chattel mortgages and finance contracts

These obligations are secured by plant machinery and equipment, bear interest at an average rate of approximately 8½% per annum, and are repayable as follows:

1974 –	$237,338
1975 –	105,038
1976 –	53,819
1977 –	10,052
1978 –	1,080
	$407,327

Other long-term debt

This consists of the following:

An unsecured note in the amount of $192,500 bearing interest at the rate of 8% per annum and repayable $35,000 annually until maturity, May, 1979.

An amount of $208,505, including principal and interest, due to the Ontario Development Corporation repayable $9,929 monthly until maturity, September, 1975.

6. Deferred income taxes

For income tax purposes, the Company has claimed capital cost allowances and other deductions which are in excess of the depreciation and other charges recorded in the accounts. The resulting deferred income taxes have been provided for in the accounts and may become payable in years when the depreciation and other charges recorded in the accounts are in excess of capital cost allowances and other deductions.

7. Capital stock

Authorized

2,000,000	First preference shares, par value $2.25 each, issuable in series, of which 900,000 shares have been designated Series A
4,000,000	Common shares without par value

Issued

		1973	1972
666,666	First preference shares, 7% cumulative, redeemable, convertible, Series A	$1,500,000	$ –
2,500,000	Common shares	2,093,200	2,093,200
		$3,593,200	$2,093,200

Notes to the Consolidated Financial Statements (continued)

As at December 31, 1973

First Preference Shares

By articles of amendment dated July 17, 1973, the Company increased its authorized capital by the creation of 2,000,000 first preference shares with a par value of $2.25 each, issuable in series. The Company has designated 900,000 of these shares as Series A. These Series A shares are non-participating, non-voting, and are entitled to a 7% cumulative annual dividend. The Series A shares are convertible to common shares of the Company on a one for one basis to August 31, 1983.

During the year the Company issued 666,666 first preference shares, Series A for $1,500,000 cash.

Common Shares

The Company has reserved 125,000 common shares for issue under its Employees Stock Option Plan. As at December 31, 1973, options for 53,500 common shares were outstanding under this plan, exercisable until 1983 at a price of $2.25 per share.

The Company has also reserved 150,000 common shares for the exercise of the warrants outstanding under the terms of the 9½% Sinking Fund Debentures (note 5).

8. Extraordinary items

These consist of the following:

	1973	1972
Reduction of income taxes on application of prior years' losses	$ 96,324	$ –
IRDIA grant	90,114	–
Write off of pre-production expenses	–	(806,842)
	$186,438	($806,842)

The IRDIA grant received during the year has been treated as an extraordinary item since the expenditures for which the grant was received were written off as an extraordinary loss in 1972 as part of pre-production expenses.

9. Statutory information

The aggregate direct remuneration paid during the year by the Company to directors and senior officers of the Company as defined by the Ontario Business Corporations Act was $209,016 (1972 – $191,621).

10. Leases

The aggregate minimum rentals payable (exclusive of taxes, insurance and other occupancy charges) under long-term leases in effect December 31, 1973, for head office, branch and plant locations for each of the periods shown below are as follows:

1974	– $ 318,000
1975 to 1979	– 1,449,000
1980 to 1984	– 889,000
1985 to 1991	– 533,000

The annual rental obligations under lease contracts for vehicles and equipment amount to approximately $206,000.

11. Income taxes

The Company's wholly-owned subsidiary, United Tire & Rubber Mfg. (Toronto) Limited, has incurred losses amounting to $891,268 which are available to reduce taxable income for accounting purposes in future years.

12. Events subsequent to balance sheet date

The Company has purchased or made commitments to purchase additional fixed assets for delivery in 1974 amounting to approximately $525,000 and for delivery in 1975 amounting to approximately $280,000.

13. Comparative figures

The figures for the previous year have been reclassified where necessary to conform with the current year's presentation and have been restated to reflect the write off to retained earnings of share issue expenses incurred in 1972 amounting to $37,429 which had previously been written off as a charge against earnings in that year.

14. Earnings per common share

The conversion of the First Preference Shares and the exercise of the stock options and warrants would not have a dilutive effect on earnings per common share.

Auditors' Report

To the Shareholders of
United Tire & Rubber Co. Limited

We have examined the consolidated balance sheet of United Tire & Rubber Co. Limited and subsidiary companies as at December 31, 1973, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change referred to in note 13 with which change we concur.

Toronto, Canada
April 9, 1974

Wm. Eisenberg & Co.
Chartered Accountants

UNITED TIRE & RUBBER CO. LIMITED
and subsidiary companies

Interim Consolidated Statement of Earnings

For the 3 months ended March 31, 1974
(Unaudited)

	1974	1973
SALES	$ 5,706,982	$ 4,222,127
Earnings before deducting the following items	1,224,875	439,485
Depreciation	216,658	197,099
Interest on long term debt	114,946	67,961
Other interest	56,759	48,636
	388,363	313,696
Earnings before income taxes and extraordinary item	836,512	125,789
Income taxes	379,000	64,152
Earnings before extraordinary item	457,512	61,637
Reduction of income taxes on application of prior years' losses	188,000	24,680
Net earnings	645,512	86,317
Dividends on preference shares	26,250	—
Net earnings applicable to common shares	$ 619,262	$ 86,317
EARNINGS PER COMMON SHARE:		
Primary earnings:		
Earnings before extraordinary item	17.3¢	2.5¢
Earnings after extraordinary item	24.8¢	3.5¢
Fully diluted earnings:		
Earnings before extraordinary item	13.7¢	2.5¢
Earnings after extraordinary item	19.3¢	3.5¢
Average number of common shares outstanding	2,500,000	2,500,000

	Years Ended December 31 1973	1972	Eleven Months Ended December 31 1971	Years Ended January 31 1971	1970
Operating Results					
Sales	**$18,545,532**	$16,382,295	$15,949,150	$14,951,096	$12,255,851
Depreciation	**837,125**	618,877	301,659	193,349	169,423
Interest	**623,197**	405,247	298,043	253,081	182,122
Income Taxes	**77,936**	(94,339)	381,002	264,608	182,438
Earnings before Extraordinary Items	**100,691**	(422,137)	432,271	263,499	249,234
Extraordinary Items	**186,438**	(806,842)	—	—	—
Net Earnings	**287,129**	(1,228,979)	432,271	263,499	249,234
Capital Expenditures	**1,082,011**	3,328,915	1,756,879	299,598	517,369
Cash Flow from Operations	**1,146,691**	(298,611)	788,230	768,376	650,070
Financial Position					
Accounts Receivable	**3,490,177**	2,748,331	3,062,339	3,038,673	2,042,226
Inventories	**4,370,155**	3,524,219	3,044,648	3,023,496	1,779,863
Total Assets	**13,871,390**	12,022,557	9,324,272	7,907,990	5,120,279
Working Capital	**2,791,812**	(688,281)	793,331	1,040,489	808,188
Long Term Debt	**4,321,915**	2,183,097	2,209,459	927,776	434,960
Shareholders' Equity	**3,861,161**	2,152,412	1,350,820	1,263,903	1,566,648
Performance Measurements					
Net Earnings % Net Sales	**1.55%**	(7.50%)	2.71%	1.76%	2.03%
Net Earnings % Equity	**7.44%**	(57.10%)	32.00%	20.85%	15.91%
Current Assets to Current Liabilities Ratio	**1.51:1**	.91:1	1.14:1	1.19:1	1.26:1
Long Term Debt to Shareholders' Equity Ratio	**1.12:1**	1.01:1	1.64:1	.73:1	.28:1

BOARD OF DIRECTORS

Donald Carr, Q.C.
James Dow
Joseph Frieberg
Robert Scolnick
Charles Sherkin
Donald Wilkins

OFFICERS

Robert Scolnick
Chairman of the Board and Chief Executive Officer

Charles Sherkin
President

Theodore Rhenius
Vice-President, Finance

James Dow
Vice-President, Tire Manufacturing

Joseph Frieberg
Secretary

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada

AUDITORS

Wm. Eisenberg & Co.

HEAD OFFICE

150 Brockport Drive
Rexdale, Ontario

UNITED TIRE
& RUBBER CO. LIMITED

INTERIM REPORT

for the six months ended
June 30, 1973

To The Shareholders

Consolidated sales for the six months ended June 30, 1973 were $8,945,904, up 14.5% from $7,812,379 for the same period in 1972. Consolidated net earnings after taxes were $60,566 or 2.9¢ per share. This compares to a restated loss for the same period in 1972 of $218,443 or 8.7¢ per share.

Results for the comparable period of 1972 were restated to reflect the write-off of preproduction expenses which previously had been capitalized.

The directors are pleased to announce the signing of a letter of intent with B.F. Goodrich Canada Limited to enter into a technical assistance services agreement. Under the proposed agreement Goodrich will supply a continuing flow of technical information, product development and engineering and management technology for the Company's Cobourg tire manufacturing facility.

The Company's financing through a rights offering to shareholders to purchase 7% Convertible Preference Shares and a private placement of $3,000,000 9½% Sinking Fund Debentures is currently underway. It is expected that the financing which will raise a minimum of $4,500,000 will be completed in September.

Considering the difficulties, operational and financial, under which the Company has had to operate, management is encouraged by the results to date and looks forward to further improvement for the balance of the year.

August, 1973

Robert Scolnick
Chairman of the Board

UNITED TIRE & RUBBER CO. LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings

FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for the six months ended June 30, 1972)

	1973	1972* (restated)
Sales	$8,945,904	$7,812,379
Earnings Before Deducting the Following Items	812,158	575,588
Depreciation	406,198	174,778
Interest on long-term debt	127,759	112,653
Other interest	116,385	53,783
	650,342	341,214
Earnings Before Income Taxes and Extraordinary Item	161,816	234,374
Income Taxes	101,250	101,792
Earnings Before Extraordinary Item	60,566	132,582
Extraordinary Item		
Pre-production expenses written off	—	(351,025)
Net Earnings (Loss)	$ 60,566	$ (218,443)
Earnings per Share Before Extraordinary Item	2.9¢	5.3¢
Earnings (Loss) Per Share	2.9¢	(8.7¢)

*restated for comparative purposes to reflect the write-off of pre-production expenses which previously had been capitalized.

Consolidated Statement of Source and Use of Funds

FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for the six months ended June 30, 1972)

	1973	1972
Source of Funds		
Operations		
Net earnings (loss) for period	$ 60,566	$ (218,443)
Charges not requiring cash outlay:		
Depreciation	406,198	174,778
Deferred income taxes	—	(53,977)
Total from Operations	466,764	(97,642)
Other		
Decrease of deferred finance charges	21,365	—
Proceeds of share issue	—	2,068,000
Ontario Development Corporation loan	—	297,839
Increase in chattel mortgages and finance contracts	—	430,401
	488,129	2,698,598
Use of Funds		
Purchase of fixed assets	356,932	1,856,906
Increase in advance payments on equipment purchases	21,681	40,011
Reduction in chattel mortgages and finance contracts	119,083	—
Reduction of 9½% first mortgage bonds	—	112,500
Reduction of 9% Series A Debentures	60,000	60,000
Reduction of notes payable	17,500	424,912
Increase in current portion of long-term debt	282,554	255,233
Share issue expenses	—	70,340
	857,750	2,819,902
Increase (Decrease) in Working Capital	$ (369,621)	$ (121,304)
Working Capital (Deficit) End of Period	($1,145,404)	$ 672,027
Working Capital (Deficit) Beginning of Period	(775,783)	793,331
Increase (Decrease) in Working Capital	$ (369,621)	$ (121,304)